

Message Text

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 8306

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

S E C R E T SECTION 1 OF 2 BRASILIA 2229

LIMDIS

FOR ASSISTANT SECRETARY ROGERS FROM AMBASSADOR

FOR S/P - WINSTON LORD, EB - ASSISTANT SECRETARY ENDERS:

OES - ASSISTANT SECRETARY RAY

E. O. 11652: GDS

TAGS: OVIP, PFOR, ECON, ENRG, PARN, ETRD, EFIN, BR

SUBJECT: POSSIBLE THEMES AND INITIATIVES FOR SECRETARY'S

VISIT TO BRAZIL - AN OVERVIEW

PART FIVE

F. US INVESTMENTS AND COMMERCIAL INTERESTS

31. THE PRINCIPAL POINT IN THIS AREA WOULD BE FOR THE SECRETARY TO REAFFIRM THAT WE WILL CONTINUE TO ENCOURAGE US INVESTMENT IN BRAZIL, PARTICULARLY IN SECTORS OF PRIORITY CONCERN UNDER BRAZIL'S SECOND DEVELOPMENT PLAN. HE MIGHT INVITE BRAZILIAN VIEWS ON THE ADEQUACY OF THE MECHANISMS IN THIS FIELD AND ON POSSIBLE IMPROVEMENTS, WHILE MAKING CLEAR THAT A DIRECT USG ROLE IN THESE AREAS IS LIMITED AND THAT ADDITIONAL CONSULTATIVE MECHANISMS (IF DESIRED BY THE BRAZILIAN SIDE) WOULD BEST BE SET UP UNDER PRIVATE SPONSORSHIP (E.G., THE POSSIBILITY OF A BLUE RIBBON US-BRAZILIAN BUSINESS COUNCIL SIMILAR TO THE US-JAPANESE BUSINESS COUNCIL).

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32. THE BRAZILIAN SIDE MAY RAISE THE FOLLOWING POINTS TO WHICH

THE SECRETARY SHOULD BE PREPARED TO RESPOND:

(A) FEDERAL RESERVE BOARD POLICY WITH RESPECT TO THE LENDING OPERATIONS OF US PRIVATE BANKS IN BRAZIL. IN VIEW OF THE GOB'S PREOCCUPATION WITH THE FINANCIAL OUTLOOK FOR COVERING THIS YEAR'S EXTERNAL FINANCING REQUIREMENT (SEE BRASILIA 168) THE SECRETARY SHOULD BE PREPARED, IF THE SUBJECT IS RAISED, TO RESPOND IN POSITIVE TERMS. US BANKING SOURCES IN BRAZIL REPORT THAT AT MEETING WITH TOP US BANK OFFICIALS EARLIER THIS YEAR, SENIOR FEDERAL RESERVE OFFICIALS EXPRESSED CONCERN ABOUT THE EXPOSURE OF THE US BANKING SYSTEM IN BRAZIL, AND URGED GREATER DIVERSIFICATION OF LOAN PORTFOLIOS TOWARD OTHER LATIN AMERICAN COUNTRIES. WHILE EMBASSY CONSIDERS THE REPORT AUTHENTIC, WE DO NOT KNOW WHETHER IT HAS REACHED THE GOB. IF THE SUBJECT IS RAISED, THE EMBASSY SUGGESTS THAT THE SECRETARY BE PREPARED TO INDICATE THE GENERAL LINES OF US POLICY, PREFERABLY REASSURING THE GOB THAT THE USG UNDERSTANDS THE GOB'S FINANCING NEEDS AND IS PREPARED TO ENCOURAGE US PRIVATE INSTITUTIONS TO PLAY AN APPROPRIATE ROLE IN MEETING THESE REQUIREMENTS.

(B) EX-IV LENDING POLICY. THIS ISSUE IS ONE OF CONSIDERABLE CONCERN TO BRAZIL WITH RESPECT TO THE THIRD STAGE OF THE MULTI-BILLION DOLLAR STREET EXPANSION PROGRAM AND THE BRAZILIAN DESIRE FOR A SUBSTANTIAL US PARTICIPATION. THE NEW, MORE LIBERAL POLICY JUST ANNOUNCED BY CHAIRMAN CASEY WILL GO PART WAY TOWARD MEETING BRAZILIAN OBJECTIVES BUT LEAVES UNRESOLVED THE ISSUE OF REPAYMENT TERMS. A STATEMENT BY THE SECRETARY THAT THE USG IS COMMITTED TO SUPPORT US PARTICIPATION IN THE EXPANSION PROGRAM AND THAT EXIM TERMS WILL PROVIDE FOR "NO LESS THAN 10 YEARS REPAYMENT" (IN ADDITION TO THREE YEARS GRACE), WOULD BE HIGHLY USEFUL TO THE GOB IN ITS FORWARD PLANNING.

(C) IMBALANCE IN US-BRAZILIAN TRADE. THE SECRETARY MIGHT ACKNOWLEDGE THIS PROBLEM AND STATE THAT WE VIEW SYMPATHETICALLY BRAZILIAN EFFORTS TO DIVERSIFY ITS EXPORTS TO THE US, REGIONALLY AND BY PRODUCT, PROVIDED THESE PROGRAMS ARE NOT INCONSISTENT WITH US LAW.

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G. FORMAT FOR VISIT AND FOLLOW-UP

33. THE OPPORTUNITY FOR AN EXPLORATION OF THE PRECEDING BILATERAL AND MULTILATERAL THEMES WILL ARISE:

(A) IN THE BILATERAL DISCUSSIONS BETWEEN THE SECRETARY AND FOREIGN MINISTER SILVEIRA;

(B) A ROUND-TABLE MEETING, CHAIRED BY SILVEIRA, WITH THE SENIOR MINISTERS WITH ECONOMIC PORTFOLIOS, INCLUDING SIMONSEN, UEKI, REIS VELLOSO, AND SEVERO GOMES, AND CENTRAL BANK PRESIDENT PAULO LIRA.
CRIMMINS

NOTE BY OC/T: DOWNGRADED TO LIMDIS PER ORIGINATOR

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ACTION SS-25

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FM AMEMBASSY BRASILIA
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INFO AMCONSUL RIO DE JANEIRO
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S E C R E T SECTION 2 OF 2 BRASILIA 2229

STADIS////////////////////////////////////

EXDIS

FOR AASSISTANT SECRETARY ROGERS FROM AMBASSADOR

FOR S/P - WINSTON LORD, EB - ASSISTANT SECRETARY ENDERS:
OES - ASSISTANT SECRETARY RAY

34. THE EMBASSY TENTATIVELY ESTIMATES THAT A TOTAL OF 8-10 HOURS, INCLUDING A WORKING LUNCHEON AT ITAMARATY, WILL BE AVAILABLE FOR SUBSTANTIVE DISCUSSIONS. THUS, EVEN ALLOCATING TIME GENEROUSLY FOR GLOBAL, HEMISPHERIC AND BILATERAL POLITICAL TOPICS, THERE SHOULD BE AMPLE TIME TO REVIEW THE SUBSTANCE OF THESE ISSUES.

35. THE SECRETARY'S FIRST OPPORTUNITY TO DEVELOP THE MAJOR THEMES OF HIS VISIT IN A SYSTEMATIC FASHION TO BRAZILIAN OFFICIALS WOULD BE THE DINNER GIVEN BY THE FORMIN ON THE EVENING OF HIS ARRIVAL. (THE SECRETARY WILL HAVE AN EARLIER MEETING WITH SILVEIRA IN LATE AFTERNOON, BUT WE

ASSUME THAT MOST OF IT WILL BE PROCEDURAL AND THAT THERE WOULD BE LITTLE TIME FOR SUBSTANCE.) IN CONFORMANCE WITH BRAZILIAN PROTOCOL, THE SECRETARY'S TOAST COULD BE SUBSTANTIVE AND, BY US STANDARDS, QUITE LONG (15 TO 25 MINUTES). BUT SINCE THE DINNER WILL COME BEFORE THE SUBSTANTIVE DISCUSSIONS AND THE CALL ON PRESIDENT GEISEL, WE BELIEVE THE TOAST SHOULD SET THE STAGE BY DEFINING THE THEMES AND ISSUES OF THE VISIT

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WHILE ONLY FORESHADOWING SPECIFIC INITIATIVES. THIS AGENDA OF ISSUES AS DEFINED BY THE SECRETARY'S TOAST THEN COULD PROVIDE A STRUCTURE FOR THE SUBSTANTIVE TALKS WITH THE CABINET OFFICERS, AMPLIFYING AND SUPPLEMENTING WHATEVER FORMAL AGENDA HAD BEEN AGREED BY THE TWO SIDES.

36. THE PRINCIPAL WRAP-UP OF THE RESULTS OF THE VISIT THUS WOULD BE THE COMMUNIQUE, WHICH WOULD SUMMARIZE IN PRECISE TERMS THE MAJOR THEMES, ISSUES, PROPOSALS AND COMMITMENTS SET FORTH BY THE US AND BRAZILIAN SIDES. (UNDER BRAZILIAN PROTOCOL, THE SECRETARY'S RETURN ENGAGEMENT WILL HAVE TO BE LARGE, AND WE SEE NO ALTERNATIVE TO A PUBLIC RECEPTION, THUS FORECLOSING THE USE OF A TOAST FOR A PERSONAL SUMMING UP.) THE PRESS CONFERENCE AT THE END OF THE BRASILIA PORTION OF THE VISIT, AND A POSSIBLE LUNCHEON IN RIO WITH THE US-BRAZILIAN CHAMBER OF COMMERCE, WOULD PROVIDE OPPORTUNITIES FOR FURTHER PUBLIC ELABORATION OF THE PRINCIPAL POINTS OF THE COMMUNIQUE. FINALLY, A PRIVATE MEETING IN RIO WITH LEADING BRAZILIAN INTELLECTUALS AND OPINION-MAKERS COULD SERVE AS THE VEHICLE FOR AN OFF-THE-RECORD DISCUSSION OF THE MAJOR THEMES AND INITIATIVES WITHIN THEIR BROADER CONCEPTUAL FRAMEWORK.

37. THE EMBASSY, WHILE IT WOULD LIKE TO SEE THESE IDEAS PURSUED, RECOMMENDS STRONGLY AGAINST THEIR USE UNLESS THERE IS FIRM CONVICTION IN THE DEPARTMENT THAT IT WILL BE POSSIBLE TO MAINTAIN THE MOMENTUM OF THE SECRETARY'S VISIT DURING THE IMPLEMENTATION PHASE. THIS APPLIES IN PARTICULAR TO THE COFFEE NEGOTIATIONS, THE PROPOSED INITIATIVES IN GENEVA, AND THE POSSIBILITY OF STRUCTURING THE Ueki VISIT TO INCLUDE A REALLY MEANINGFUL AND POSITIVE POLICY DIALOGUE ON NUCLEAR ISSUES INVOLVING THE MOST SENIOR LEVELS OF THE USG.

38. IN THE COURSE OF HIS DISCUSSIONS WITH THE SECRETARY, FOREIGN MINISTER SILVEIRA WILL ALSO RAISE THE QUESTION OF FOLLOW-UP MACHINERY. SILVEIRA'S OBJECTIVE, FOR SOME TIME, HAS BEEN A FORMAL HIGH-LEVEL CONSULTATIVE MECHANISM SIMILAR TO THE US-JAPANESE CABINET-LEVEL MEETINGS. THE EMBASSY WOULD SUGGEST THE FOLLOWING APPROACH:

(A) WITH RESPECT TO THE GENERAL QUESTION OF US-BRAZILIAN

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CONSULTATIONS, A FORMULATION:

(1) THAT THE TWO PRINCIPALS WILL STAY IN CLOSE TOUCH AND
HAVE AGREED TO MEET TWICE A YEAR;

(2) THAT THE TWO SIDES WILL CONSIDER, IN THE LIGHT OF EXPERIENCE,
A MORE STRUCTURED APPROACH, SUCH AS THE QUESTION OF WHETHER
A JOINT COMMISSION (SIMILAR TO THE ARRANGEMENT BRAZIL HAS WITH
OTHER COUNTRIES) MIGHT BE APPROPRIATE.

(B) WITH RESPECT TO FOLLOW-UP ON SPECIFIC ISSUES,
ARISING DURING THE DISCUSSIONS, THAT WE HAVE AGREED TO CON-
SULTATIONS AT THE ASSISTANT SECRETARY LEVEL, SUCH AS AN EARLY
WORKING VISIT BY ASSISTANT SECRETARY ENDERS.
CRIMMINS

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